

U.S. Customs and Border Protection Office of Strategic Trade Regulatory Audit Division

Internal Control Summary by Component

Introduction

In March 2003, the U.S. Customs Service became part of the U.S. Customs and Border Protection, which will continue to be referenced as Customs in this document.

This document should be used with the Internal Control Management and Evaluation Tool to summarize conclusions of adequacy of internal control by component. Although use of this tool is not required, it is intended to help management and evaluators determine how well a company's internal control is designed and functioning and help determine what, where, and how improvements, when needed, may be implemented.

This tool is not authoritative but is intended as a supplemental guide that managers and evaluators may use to assess the effectiveness of internal control and identify important aspects of control in need of improvement. Users should keep in mind that this tool can and should be modified to fit the circumstances, conditions, and risks relevant to the situation of the company.

Internal Control Component

Control Environment

Management and employees have a positive and supportive attitude toward Customs internal control and conscientious management of Customs-related operations.

Management conveys the message that integrity and ethical values must not be compromised. Management has a philosophy and operating style that is appropriate to the development and maintenance of effective internal control for Customs as evidenced by the following:

- The company demonstrates a commitment to the competence of its personnel responsible for Customs-related activities.
- The company's organizational structure and the way in which it assigns authority and responsibility for Customs operations contribute to effective internal control.
- The company's management cooperates with auditors, does not attempt to hide known problems from them, and values their comments and recommendations.

Risk Assessment

The company has established clear and consistent company-wide objectives and supporting activity-level objectives related to Customs activities as evidenced by the following:

- Management has made a thorough identification of risks pertaining to Customs activities, from both internal and external sources, that may affect the ability of the company to meet those objectives.

- An analysis of those risks has been performed, and the company has developed an appropriate approach for risk management.
- Mechanisms are in place to identify changes that may affect the company's ability to achieve its missions, goals, and objectives related to Customs activities.

Control Activities

Appropriate policies, procedures, techniques, and control mechanisms have been developed and are in place to ensure adherence to established Customs requirements. Control activities are evidenced by the following:

- Proper control activities have been developed and documented for each of the company's Customs activities.
- The control activities identified as necessary are actually being applied properly.
- All documentation of transactions and records are properly managed, maintained, and reviewed as necessary.
- Control procedures are reviewed and revised as necessary.

Information and Communications

Information systems are in place to identify and record pertinent operational and financial information relevant to Customs activities. Management ensures that effective internal communications take place. The company employs various forms of communications appropriate to its needs and manages, develops, and revises its information systems in a continual effort to improve communications. Effective information and communication for Customs are evidenced by the following:

- Appropriate information is identified, recorded, and communicated to management responsible for Customs activities and others within the company who need it and in a form that enables them to carry out their duties and responsibilities efficiently and effectively.
- Effective external communications occur with groups that can affect the achievement of the company's missions, goals, and objectives related to Customs activities.
- Individual roles and responsibilities for Customs activities are communicated through policy and procedure manuals.

Monitoring

Company internal control monitoring assesses the quality of performance related to Customs activities over time. Monitoring is evidenced by the following:

- Procedures to monitor internal control occur on an ongoing basis as a part of the process of carrying out regular activities.
- Separate evaluations of internal control are periodically performed, and deficiencies found are investigated.
- Procedures are in place to ensure that the findings of all audits and other reviews are promptly evaluated, decisions are made about the appropriate response, and actions are taken to correct or otherwise resolve the issues promptly.

Source: Adapted from United States General Accounting Office, Internal Controls Management and Evaluation Tool EXPOSURE DRAFT, GAO-01-131G, February 2001.